

FINANCIAL AUDIT  
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT  
OF THE  
  
MICHIGAN DEPARTMENT OF STATE POLICE

October 1, 1997 through September 30, 1999

## EXECUTIVE DIGEST

# MICHIGAN DEPARTMENT OF STATE POLICE

INTRODUCTION	This report contains the results of our financial audit*, including the provisions of the Single Audit Act, of the Michigan Department of State Police (MSP) for the period October 1, 1997 through September 30, 1999.
AUDIT PURPOSE	This financial audit of MSP was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> .
BACKGROUND	MSP's mission* is to provide leadership, coordination, and delivery of law enforcement and support services for the safety and protection of people and property. The MSP director is appointed by and serves at the discretion of the Governor. The director is charged with the responsibilities of establishing a highway patrol, cooperating with peace officers for the purposes of prevention and discovery of crimes, apprehending criminals, and preserving law and order throughout the State.

\* See glossary at end of report for definition.

MSP had 2,192 enlisted and 1,072 civilian employees as of September 30, 1999. MSP gross expenditures and operating transfers out totaled approximately \$353.8 million in fiscal year 1998-99.

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AUDIT OBJECTIVES  
AND CONCLUSIONS

**Audit Objective:** To audit MSP's financial schedules, including the schedule of expenditures of federal awards, for the fiscal years ended September 30, 1999 and September 30, 1998.

**Conclusion:** We expressed an unqualified opinion on MSP's financial schedules. In addition, we expressed an unqualified opinion on MSP's schedule of expenditures of federal awards, and its other supplemental financial schedules, in relation to the financial schedules taken as a whole.

**Audit Objective:** To assess and report on MSP's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules, and on its internal control\* over financial reporting, based on our audit of the financial schedules.

**Conclusion:** Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses\* . However, we identified reportable conditions\* related to internal control over accounting functions, operating transfers, controls over Michigan Administrative Information Network\* (MAIN) user access,

\* See glossary at end of report for definition.

controls over procurement cards\*, and cash management (Findings 1 through 5).

**In addition, our assessment indicated that MSP was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.**

**Audit Objective:** To assess and report on MSP's compliance with requirements applicable to each major federal program and on its internal control over compliance in accordance with OMB Circular A-133.

**Conclusion:** Our assessment of compliance applicable to each major federal program disclosed instances of noncompliance related to the Motor Carrier Safety Assistance Program\* , the schedule of expenditures of federal awards, and the monitoring of subrecipients that are required to be reported under OMB Circular A-133 (Findings 6 through 8). However, our assessment of internal control over compliance applicable to each major federal program did not disclose any material weaknesses. We did identify reportable conditions related to the Motor Carrier Safety Assistance Program, the schedule of expenditures of federal awards, the monitoring of subrecipients, internal control over accounting functions, controls over MAIN user access, and controls over procurement cards (Findings 6 through 11).

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#### AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Michigan Department of State Police for the period October 1, 1997 through September 30, 1999. Our

\* See glossary at end of report for definition.

audit was conducted in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

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AGENCY RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP

Our audit report contains 8 findings and 8 corresponding recommendations. MSP's corrective action plan indicates that it agrees with the recommendations and plans to implement them.

As disclosed in MSP's summary schedule of prior audit findings, MSP fully complied with 1 of the 4 prior Single Audit\* recommendations and partially complied with the remaining 3 prior Single Audit recommendations. One of the prior recommendations (see Finding 8) is repeated in this report.

\* See glossary at end of report for definition.

October 18, 2000

Colonel Michael D. Robinson, Director  
Michigan Department of State Police  
714 South Harrison Road  
East Lansing, Michigan

Dear Colonel Robinson:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Michigan Department of State Police for the period October 1, 1997 through September 30, 1999.

This report contains our executive digest; description of agency; audit objectives and conclusions, audit scope, and agency responses and prior audit follow-up; schedule of findings and questioned costs; and independent auditor's reports on the financial schedules, on compliance and on internal control over financial reporting, and on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133. This report also contains the Michigan Department of State Police financial schedules and notes to the financial schedules, supplemental financial schedules, other required schedules, and a glossary of acronyms and terms.

Our findings and recommendations are organized by audit objective. The agency preliminary responses are contained in the corrective action plan. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.  
Auditor General

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## Description of Agency

The Michigan Department of State Police (MSP) is one of the principal departments of State government. MSP's mission is to provide leadership, coordination, and delivery of law enforcement and support services for the safety and protection of people and property.

The MSP director is appointed by and serves at the discretion of the Governor. The director is charged with the responsibilities of establishing a highway patrol, cooperating with peace officers for the purposes of prevention and discovery of crimes, apprehending criminals, and preserving law and order throughout the State.

To carry out its responsibilities, MSP is comprised of executive and administrative staff, the Office of the Director, the Office of Organizational Development, and three operating bureaus.

The Administrative and Information Services Bureau is responsible for the financial and administrative operations of MSP. This Bureau is also responsible for criminal records, communications, and the Criminal Justice Data Center. The Uniform Services Bureau consists of enlisted and other personnel at posts throughout the State who perform highway patrol, complaint investigation, motor carrier enforcement, and other activities. The Investigative Services Bureau consists of enlisted and other personnel who perform investigations related to fraud, narcotics, organized crime, and other criminal activities. This Bureau also includes the Forensic Science Division. Responsibilities for federal grant management are shared by the divisions carrying out the grant activities and the Administrative and Information Services Bureau.

MSP had 2,192 enlisted and 1,072 civilian employees as of September 30, 1999. MSP gross expenditures and operating transfers out totaled approximately \$353.8 million in fiscal year 1998-99.

Audit Objectives and Conclusions, Audit Scope,  
and Agency Responses and Prior Audit Follow-Up

Audit Objectives and Conclusions

Our financial audit, including the provisions of the Single Audit Act, of the Michigan Department of State Police (MSP) had the following objectives:

1. To audit MSP's financial schedules, including the schedule of expenditures of federal awards, for the fiscal years ended September 30, 1999 and September 30, 1998.

**We expressed an unqualified opinion on MSP's financial schedules. In addition, we expressed an unqualified opinion on MSP's schedule of expenditures of federal awards, and its other supplemental financial schedules, in relation to the financial schedules taken as a whole.**

2. To assess and report on MSP's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules, and on its internal control over financial reporting, based on our audit of the financial schedules.

**Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses.** However, we identified reportable conditions related to internal control over accounting functions, operating transfers, controls over Michigan Administrative Information Network (MAIN) user access, controls over procurement cards, and cash management (Findings 1 through 5).

**In addition, our assessment indicated that MSP was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.**

The findings related to our assessment of compliance and internal control over financial reporting are contained in Section II of the schedule of findings and questioned costs\*.

3. To assess and report on MSP's compliance with requirements applicable to each major federal program and on its internal control over compliance in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

**Our assessment of compliance applicable to each major federal program disclosed instances of noncompliance related to the Motor Carrier Safety Assistance Program, the schedule of expenditures of federal awards, and the monitoring of subrecipients that are required to be reported under OMB Circular A-133 (Findings 6 through 8). However, our assessment of internal control over compliance applicable to each major federal program did not disclose any material weaknesses.** We did identify reportable conditions related to the Motor Carrier Safety Assistance Program, the schedule of expenditures of federal awards, the monitoring of subrecipients, internal control over accounting functions, controls over MAIN user access, and controls over procurement cards (Findings 6 through 11).

The findings related to our assessment of compliance and internal control over compliance applicable to each major federal program are contained in Section III of the schedule of findings and questioned costs.

#### Audit Scope

Our audit scope was to examine the financial and other records of the Michigan Department of State Police for the period October 1, 1997 through September 30, 1999. Our audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

\* See glossary at end of report for definition.

We considered MSP's internal control over compliance applicable to each major federal program and assessed MSP's compliance with federal laws and regulations in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, in addition to generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, we followed up on MSP's summary schedule of prior audit findings. MSP's major federal programs are identified in Section I of the schedule of findings and questioned costs.

#### Agency Responses and Prior Audit Follow-Up

Our audit report contains 8 findings and 8 corresponding recommendations. MSP's corrective action plan indicates that it agrees with the recommendations and plans to implement them.

MSP's corrective action plan, which is included in this report, was prepared by MSP as required by OMB Circular A-133. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require MSP to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

As disclosed in MSP's summary schedule of prior audit findings, MSP fully complied with 1 of the 4 prior Single Audit recommendations and partially complied with the remaining 3 prior Single Audit recommendations. One of the prior recommendations (see Finding 8) is repeated in this report.

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

### **Section I: Summary of Auditor's Results**

#### **Financial Schedules**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Reportable conditions identified that are not considered to be  
material weaknesses? Yes

Noncompliance material to the financial schedules? No

#### **Federal Awards**

Internal control over major programs:

Material weaknesses identified? No

Reportable conditions identified that are not considered to be  
material weaknesses? Yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in  
accordance with U.S. Office of Management and Budget (OMB)  
Circular A-133, Section 510(a)? Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.218	National Motor Carrier Safety
20.600 and 20.601	Highway Safety Cluster
83.544	Public Assistance Grants

Dollar threshold used to distinguish between type A and type B programs: \$2,598,083

Auditee qualified as a low-risk auditee\* ? No

## **Section II: Findings Related to the Financial Schedules**

### **FINDING (550001)**

#### **1. Internal Control Over Accounting Functions**

The Michigan Department of State Police's (MSP's) internal control over financial operations did not provide reasonable assurance that accounting transactions were properly recorded and processed and that account balances were reported consistently and accurately in the financial records.

Our review of accounting transactions and operations disclosed:

- a. MSP's controls did not ensure that accounting errors were resolved in a timely manner.

During the conversion of the State's accounting system in fiscal year 1994-95, an error occurred that resulted in a \$209,815 overstatement of MSP liabilities. We brought this to the attention of MSP in our prior audit and MSP responded that it would correct the overstatement. MSP has not corrected this error and the schedule of certain General Fund assets and liabilities still reflects an overstatement of \$209,815 in amounts due to component units.

\* See glossary at end of report for definition.

- b. MSP's controls at 1 of its 4 primary cashiering locations did not ensure that all cash receipts were accurately recorded.

This location collects approximately \$4 million of the \$12 million annual cash receipts. The location did not have two employees open the mail and immediately record the cash receipts on a cash log. In addition, this location did not ensure that the cash receipt source documents were reconciled with the Michigan Administrative Information Network (MAIN). Department of Management and Budget (DMB) Administrative Guide procedure 1270.02 requires that at least two employees open mail to provide greater assurance that all cash receipts are properly recorded. The procedure also requires that the cash received by mail be recorded on a cash log prepared by the mail openers and that deposits be verified to source documents by someone other than the cashier.

We reported a similar finding involving different cashiering locations in our prior audit report. In response, MSP agreed and stated it was developing a new cashiering procedure that included a departmentwide automated cashiering and billing system. Additionally, MSP was reviewing the possibility of centralizing its cashiering functions.

- c. MSP did not retain supplies and materials ending physical inventory count records for fiscal year 1997-98.

MSP maintains a warehouse at its headquarters for its supplies and materials inventory. During fiscal year 1997-98, MSP reported an ending inventory balance of approximately \$2.1 million. MSP informed us that, during fiscal year 1997-98, it had conducted an interim physical inventory count in March and an ending physical inventory count during September. Our review of controls over inventory disclosed that MSP had maintained the fiscal year 1997-98 interim physical inventory count documents but was unable to locate its fiscal year 1997-98 ending physical inventory count documents. As a result, MSP did not have documentation to support the accuracy of the fiscal year 1997-98 ending inventory balance recorded in MAIN.



- d. MSP did not reconcile its accounts receivable system (ARS) with MAIN as of September 30, 1999. In addition, MSP could not generate subsidiary detail of the accounts receivable outstanding as of September 30, 1999. MSP had account receivable balances of approximately \$13.5 million and \$18.6 million as of September 30, 1999 and September 30, 1998, respectively. MSP generated for us a combination of ARS summaries and MAIN Management Information Data Base (MIDB) queries that listed accounts receivable documents processed throughout the year. Based on this information, we estimated that MAIN and ARS balances differed by approximately \$483,600. MSP staff informed us that differences were generally a result of adjustments made in MAIN that were not entered into ARS.

DMB Policy and Recommended Procedures for Agency Correction, dated October 27, 1997, requires that all State departments and agencies establish and maintain procedures that will ensure that errors in transaction processing will be promptly identified and corrected. In addition, sound internal control requires that a department reconcile its interface system with MAIN to ensure the accuracy of information recorded in both systems. A lack of reconciliation increases the risk that account receivable balances may not be correctly stated in the financial records or fully collected.

- e. MSP did not have effective procedures to accurately estimate accounts payable. MSP established accounts payable of \$2,232,967 and \$1,665,487 for Office of Highway Safety programs in fiscal years 1998-99 and 1997-98, respectively. MSP projected, as of December 16, 1999, the need to write off \$500,206 (22%) of the accounts payable established in fiscal year 1998-99 and it did write off \$401,226 (24%) of the accounts payable established in fiscal year 1997-98.

DMB Administrative Guide procedure 1210.27 requires that departments recognize expenditures for earned grants in the year in which the recipient makes a reimbursable expenditure. It instructs the departments to obtain information from the grantee to determine when service was provided and related revenue earned. In addition, it indicates that departments should require grantees to provide information needed to determine actual

reimbursable expenditures incurred, but not yet billed to the State, at year-end.

We reviewed the accounts payable established by MSP for Office of Highway Safety programs, including the Highway Safety Cluster (CFDA Numbers 20.600 and 20.601), and noted that a majority of the estimated accounts payable were established based on the unexpended balances of contracts with subrecipients instead of the actual amounts that the subrecipients expected to expend. As a result, the accounts payable to grant subrecipients and the corresponding accounts receivable from the grant sources were overstated.

- f. MSP's controls did not ensure that motor vehicle fees were deposited in the Truck Safety Fund in a timely manner.

Section 487.7(5) of the *Michigan Compiled Laws* requires that not less than 90% of the interstate or foreign motor vehicle fees collected in excess of \$1.4 million annually be deposited in the Truck Safety Fund. The Department of Consumer and Industry Services initially collects the motor vehicle fees and transfers them to MSP. In fiscal year 1997-98, the Department transferred \$982,611 of these funds to MSP, but MSP miscoded the funds. As a result, the funds were not deposited into the Truck Safety Fund. Consequently, MSP erroneously transferred these funds to the Michigan Department of Transportation (MDOT). In fiscal year 1998-99, MSP discovered the error and restored the \$982,611 to the Truck Safety Fund by reducing the funds transferred to MDOT for fiscal year 1998-99.

### **RECOMMENDATION**

We recommend that MSP strengthen its internal control over financial operations to provide reasonable assurance that accounting transactions are properly recorded and processed and that account balances are reported consistently and accurately in the financial records.

## **FINDING (550002)**

### **2. Operating Transfers**

MSP's controls did not ensure that operating transfers were correctly recorded.

Section 1800.106 of the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the Governmental Accounting Standards Board, requires that all interfund transactions, except loans, advances, quasi-external transactions, or reimbursements, be recorded as transfers. It further defines operating transfers as those transfers not involving residual equity, such as transfers from the general fund to a special revenue fund.

Our review of revenue balances and expenditure transactions disclosed:

- a. MSP recorded transfers of \$1.1 million and \$3.4 million from the General Fund to the Michigan Transportation Fund, a special revenue fund, as reductions of revenue in fiscal years 1998-99 and 1997-98, respectively. These should have been recorded as operating transfers. These transactions, combined with the \$982,611 error and subsequent correction described in Finding 1.f., resulted in MSP's General Fund financial schedule balances for licenses and permits revenue being understated by \$1.1 million and \$3.4 million and operating transfers out being understated by \$2.1 million and \$2.4 million in fiscal years 1998-99 and 1997-98, respectively.
- b. MSP recorded transfers of \$34,916 and \$74,433 from the General Fund to the Comprehensive Transportation Fund, a special revenue fund, as reductions of revenue in fiscal years 1998-99 and 1997-98, respectively. These transactions should have been recorded as operating transfers. These transactions resulted in an understatement of revenue and operating transfers out.

## **RECOMMENDATION**

We recommend that MSP strengthen controls to ensure that operating transfers are correctly recorded.

### **FINDING (550003)**

#### **3. Controls Over MAIN User Access**

MSP needs to strengthen its controls over MAIN user access by documenting compensating controls for incompatible user class combinations and by revoking MAIN access for departed employees. Our review of MAIN user classes and user security disclosed:

- a. Five users had incompatible user class combinations during fiscal year 1998-99. MSP had not documented the compensating controls in place for these user class combinations. MSP staff provided a verbal description of compensating controls for only 2 of the 5 users.

The MAIN Financial Administration and Control System (FACS) Security Manual requires that agencies provide the Office of Financial Management (OFM), Department of Management and Budget, with a written affirmation stating that they understand the internal control risks associated with the identified user class combinations and that they take full responsibility for maintaining effective compensating controls. In addition, each agency must provide OFM with documentation of its compensating controls. MSP provided a letter to OFM, dated September 1, 1998, indicating that MSP took responsibility for one of the incompatible assignments but believed that it was exempt from needing compensating controls for the others. This letter did not document compensating controls for any of the incompatible user combinations.

- b. Seven of 10 employees who had departed between October 1, 1998 and October 30, 1999 still had access to MAIN as of November 24, 1999. Employees should have their MAIN access revoked when they terminate employment with MSP to avoid unauthorized use of MAIN.

### **RECOMMENDATION**

We recommend that MSP strengthen its controls over MAIN user access by documenting compensating controls for incompatible user class combinations and by revoking MAIN access for departed employees.

## **FINDING (550004)**

### **4. Controls Over Procurement Cards**

MSP's controls did not ensure that procurement card users complied with MSP and DMB policies and procedures and that unissued cards were adequately safeguarded.

MSP used procurement cards to make purchases totaling approximately \$2.1 million and \$1.9 million in fiscal years 1998-99 and 1997-98, respectively. Our review of 40 fiscal year 1997-98 transactions disclosed the following instances of noncompliance with policies and procedures:

- a. Six procurement cards were used by someone other than the approved cardholder for 11 transactions. MSP procedures and the State of Michigan Procurement Card Program's Cardholder Manual require that a procurement card be used only by the approved cardholder whose name is embossed on the card.
- b. Merchandise receipts were not retained for 11 transactions totaling \$9,322 (32% of the total value of transactions tested). As a result, we could not verify the appropriateness of the purchases. MSP's procedures and the Program's Cardholder Manual require that the card users obtain and retain merchandise receipts.
- c. In 2 instances, the purchasers split the purchases to avoid exceeding the \$1,000 individual transaction limit. The Program's Cardholder Manual and MSP's procedures prohibit splitting charges in order to avoid exceeding the \$1,000 individual transaction limit.

In addition to those 2 instances, we found 1 instance in which 9 posts within the same region purchased a total of 12 digital cameras from the same vendor for \$666 each within a 9-day period. One individual had 3 identical purchases on 3 consecutive days. We believe the purchase for these digital cameras should have been made by a purchase order instead of individual purchases on procurement cards. Through discussions with agency management, our limited review indicated that these purchases were for State purposes.

MSP's internal audit of fiscal year 1998-99 transactions disclosed similar instances of noncompliance.

Our review of controls also disclosed that unissued cards are not stored in a secured location. The Program's Cardholder Manual requires that new cards be kept in a person's possession or locked up at all times. MSP staff informed us that they do not lock up the cards because individuals have to provide their social security numbers to the credit card company in order to activate the cards.

### **RECOMMENDATION**

We recommend that MSP strengthen its controls to ensure that procurement card users comply with MSP and DMB policies and procedures and that unissued cards are adequately safeguarded.

### **FINDING (550005)**

#### **5. Cash Management**

MSP's controls did not provide for compliance with federal and State cash management standards related to time lines for drawing down federal funds.

MSP's drawdown of federal funds that are not subject to the federal Cash Management Improvement Act is to be made in accordance with federal general cash management requirements, Section 18.1395(5) of the *Michigan Compiled Laws*, and DMB Administrative Guide procedure 1210.06. These standards require MSP to use State General Fund/general purpose appropriations only after the available restricted funds have been used. The federal and DMB standards also require MSP to minimize the time elapsing between the transfer of funds from the U.S. Department of Treasury and the payout of funds by the State. MSP had not developed written procedures establishing time lines for drawing down federal funds.

Our review of cash management practices disclosed:

- a. We selected one cash drawdown transaction for the Public Assistance Grants (CFDA Number 83.544) in order to assess the time elapsed between when MSP made program expenditures and when the funds were received from the

federal government. We noted a delay of 8 to 55 days from the date of the expenditure of these funds by MSP until the date that federal reimbursement was received. This delay resulted in a loss of approximately \$8,900 of interest income for the State.

- b. We selected 9 cash drawdowns for the National Motor Carrier Safety Program (CFDA Number 20.218) in order to assess the time elapsed from the end of the quarter or the date payments were made to subrecipients to the time funds were received from the federal government. Because this program uses a random moment sampling (RMS) system, MSP does not draw federal funds when the expenditures occur, but instead it completes quarterly drawdowns when the quarterly expenditure allocation is completed. We noted a lapse of time that ranged between 16 and 83 days from the end of the quarter or subrecipient payment date to the time the federal reimbursements were received. This resulted in a loss of interest income for the State of approximately \$5,700 and \$3,200 for fiscal years 1998-99 and 1997-98, respectively. We noted that MSP manually requests draws instead of using an electronic format, which may contribute to the time lapse.

### **RECOMMENDATION**

We recommend that MSP enhance its controls to provide for compliance with federal and State cash management standards related to time lines for drawing down federal funds.

**The status of the findings reported in the prior Single Audit is disclosed in the summary schedule of prior audit findings.**

## Section III: Findings and Questioned Costs Related to Federal Awards

### **FINDING (550006)**

#### **6. Motor Carrier Safety Assistance Program**

U.S. Department of Transportation	CFDA: 20.218 National Motor Carrier Safety
Award Number: MC-99-26001 MC-98-26001	Award Period: 10/1/98 through 9/30/99 10/1/97 through 9/30/98
	Questioned Costs: \$0

MSP needs to strengthen its controls over the RMS system used to allocate Motor Carrier Safety Assistance Program expenditures.

MSP uses the RMS system to allocate Motor Carrier Division expenditures to various funding sources. MSP accumulates expenditures during each quarter of the fiscal year in a holding account, then allocates them quarterly using percentages from the RMS system.

Our review of the RMS allocation process disclosed:

- a. MSP did not retain documentation to support the allocation of expenditures for the period July 1, 1998 through September 30, 1998. MSP staff informed us that the information from the RMS computer system was inadvertently overwritten and there was not a backup of the information. OMB Circular A-87 requires that grantees retain supporting documentation of expenditures charged to federal programs. Based on this requirement, program staff did not request federal reimbursement for approximately \$627,000 of eligible federal expenditures for that time period. These expenditures were instead paid by State funding sources.
- b. MSP applied the RMS percentages incorrectly.

OMB Circular A-87 states that substitute systems for allocating salaries and wages to federal awards, such as RMS, may be used in place of activity



reports but indicates that they must meet acceptable statistical sampling standards. One key factor listed in OMB Circular A-87 is that the results must be statistically valid and applied to the period sampled.

MSP's RMS system samples motor carrier officers on a quarterly basis and computes a percentage of time spent on various work functions for that quarter. The system computes an individual percentage for each quarter of the fiscal year. Each quarter, MSP adds the percentages together and divides by the number of quarters to determine an annualized percentage, applies this annualized percentage to the expenditures, and reallocates them to the respective funding sources. This approach is not valid because it does not apply the percentages only to the periods to which the percentages are related.

By using this methodology, MSP did not maximize its use of federal funds. We determined that MSP could have received an additional \$122,337 for fiscal year 1998-1999 and an additional \$26,815 for the first three quarters of fiscal year 1997-1998 in federal revenue for the Motor Carrier Safety Assistance Program. We could not determine an amount for the fourth quarter of fiscal year 1997-98 because of the lack of supporting documentation discussed in part a. of this finding.

## **RECOMMENDATION**

We recommend that MSP strengthen its controls over the RMS system used to allocate Motor Carrier Safety Assistance Program expenditures.

## **FINDING (550007)**

### **7. Schedule of Expenditures of Federal Awards**

Applicable to: All federal programs

MSP's controls did not ensure the accuracy of its schedules of expenditures of federal awards (SEFAs).

OMB Circular A-133 defines internal control as a process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. OMB Circular A-133 also requires that nonfederal entities that expend federal awards prepare SEFAs.

Our review disclosed that MSP did not sufficiently verify the accuracy of the information included on its SEFAs. As a result, the fiscal year 1998-99 and 1997-98 SEFAs that were submitted to the Office of the Auditor General for use in MSP's Single Audit contained numerous errors. We identified the following errors in our review of MSP's SEFAs:

- a. MSP did not include all federal expenditures on its SEFAs. Expenditures totaling \$318,893 and \$282,870 were omitted from the fiscal year 1998-99 and 1997-98 SEFAs, respectively.
- b. MSP used the incorrect *CFDA* number in 5 instances and the incorrect *CFDA* title for 14 programs.
- c. MSP presented \$213,944 and \$60,000 of expenditures as expended directly by MSP that should have been presented as distributed to subrecipients in fiscal years 1998-99 and 1997-98, respectively.

MSP agreed to correct the preceding errors in its SEFAs after we brought them to its attention. Sufficiently verifying MSP's SEFAs would aid in the early identification of errors, and, as a result, would ensure more accurate SEFAs and reduce the audit hours necessary for review of the SEFAs.

## **RECOMMENDATION**

We recommend that MSP strengthen its controls to help ensure the accuracy of its SEFAs.

## **FINDING (550008)**

### **8. Monitoring of Subrecipients**

Applicable to: All federal programs

MSP's controls did not ensure that it could issue a management decision on audit findings within six months after receipt of subrecipient audit reports.

Section 400(d)(5) of OMB Circular A-133 requires the pass-through entity to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report. MSP must review the audit report within this six-month time frame in order to issue a management decision relative to it.

Our review of 10 subrecipient audit reports disclosed that MSP had not completed a review of 2 (20%) of the reports within six months of the date received. Noncompliance with federal requirements may result in sanctions or disallowances.

We reported a similar finding in our prior Single Audit report. MSP responded that it would continue to modify its procedures to ensure that federal grant subrecipients are monitored in accordance with federal requirements and would more accurately document the receipt and review of Single Audit reports. We noted that MSP had improved controls relating to obtaining subrecipient Single Audit reports and recording the date in which MSP receives those reports.

## **RECOMMENDATION**

WE AGAIN RECOMMEND THAT MSP STRENGTHEN ITS CONTROLS TO ENSURE THAT IT CAN ISSUE A MANAGEMENT DECISION ON AUDIT FINDINGS WITHIN SIX MONTHS AFTER RECEIPT OF SUBRECIPIENT AUDIT REPORTS.

**FINDING (550009)****9. Internal Control Over Accounting Functions**

Applicable to: All federal programs

This finding is included in Section II of the schedule of findings and questioned costs (550001).

**FINDING (550010)****10. Controls Over MAIN User Access**

Applicable to: All federal programs

This finding is included in Section II of the schedule of findings and questioned costs (550003).

**FINDING (550011)****11. Controls Over Procurement Cards**

Applicable to: All federal programs

This finding is included in Section II of the schedule of findings and questioned costs (550004).

**The status of the finding reported in the prior Single Audit is disclosed in the summary schedule of prior audit findings.**

Independent Auditor's Report on  
the Financial Schedules

June 9, 2000

Colonel Michael D. Robinson, Director  
Michigan Department of State Police  
714 South Harrison Road  
East Lansing, Michigan

Dear Colonel Robinson:

We have audited the accompanying schedule of General Fund revenue and operating transfers and the schedule of sources and disposition of General Fund authorizations of the Michigan Department of State Police for the fiscal years ended September 30, 1999 and September 30, 1998. These financial schedules are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial schedules based on our audit. The financial transactions of the Department are accounted for principally in the General Fund of the State of Michigan.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1b, the accompanying financial schedules include only the revenue and operating transfers and the sources and disposition of authorizations for the Michigan Department of State Police's General Fund accounts, presented on the modified accrual basis of accounting. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of either the Department or the State's General Fund in accordance with generally accepted accounting principles.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenue and operating transfers and the sources and disposition of authorizations of the Michigan Department of State Police for the fiscal years ended September 30, 1999 and September 30, 1998, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2000 on our tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grants and on our consideration of its internal control over financial reporting.

The accompanying schedule of expenditures of federal awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other supplemental financial schedules, consisting of the schedule of certain General Fund assets and liabilities and the schedule of disposition of General Fund authorizations by appropriation unit, are presented for purposes of additional analysis and are not a required part of the Department's financial schedules referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial schedules and, in our opinion, is fairly stated, in all material respects, in relation to the financial schedules taken as a whole.

Sincerely,

Thomas H. McTavish, C.P.A.  
Auditor General

Independent Auditor's Report on Compliance and  
on Internal Control Over Financial Reporting

June 9, 2000

Colonel Michael D. Robinson, Director  
Michigan Department of State Police  
714 South Harrison Road  
East Lansing, Michigan

Dear Colonel Robinson:

We have audited the General Fund financial schedules of the Michigan Department of State Police for the fiscal years ended September 30, 1999 and September 30, 1998 and have issued our report thereon dated June 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Department's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention

relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 1 through 5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described in the previous paragraph is a material weakness.

This report is intended solely for the information and use of the State's management, the Legislature, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.  
Auditor General



Independent Auditor's Report on Compliance With  
Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133

June 9, 2000

Colonel Michael D. Robinson, Director  
Michigan Department of State Police  
714 South Harrison Road  
East Lansing, Michigan

Dear Colonel Robinson:

Compliance

We have audited the compliance of the Michigan Department of State Police with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each major federal program for the fiscal years ended September 30, 1999 and September 30, 1998. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the previous paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Michigan Department of State Police complied, in all material respects, with the requirements referred to in the second previous paragraph that are applicable to each major federal program for the fiscal years ended September 30, 1999 and September 30, 1998. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 6 through 8.

#### Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Department's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 6 through 11.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described in the previous paragraph is a material weakness.

This report is intended solely for the information and use of the State's management, the Legislature, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.  
Auditor General

MICHIGAN DEPARTMENT OF STATE POLICE  
Schedule of General Fund Revenue and Operating Transfers  
Fiscal Years Ended September 30

	<u>1999</u>	<u>1998</u>
REVENUE		
From federal agencies	\$ 33,841,583	\$ 46,895,673
From local agencies	2,218,881	2,032,593
From services	6,581,488	6,513,093
From licenses and permits	6,456,719	4,236,301
Miscellaneous revenue	<u>30,888,471</u>	<u>30,227,402</u>
Total Revenue	\$ 79,987,142	\$ 89,905,061
OPERATING TRANSFERS		
From other funds	<u>9,187,674</u>	<u>5,725,458</u>
Total Revenue and Operating Transfers	<u>\$ 89,174,815</u>	<u>\$ 95,630,519</u>

The accompanying notes are an integral part of the financial schedules.

MICHIGAN DEPARTMENT OF STATE POLICE  
Schedule of Sources and Disposition of General Fund Authorizations  
Fiscal Years Ended September 30

	<u>1999</u>	<u>1998</u>
<b>SOURCES OF AUTHORIZATIONS</b>		
General purpose appropriations (Note 2a)	\$ 260,023,000	\$ 251,128,700
Budgetary transfers in (out)		(10,000)
Balances carried forward (Note 2b)	40,362,740	36,173,046
Restricted financing sources (Note 2c)	94,385,640	101,257,383
Less: Intrafund expenditure reimbursements	<u>(6,559,935)</u>	<u>(6,610,783)</u>
Total	<u>\$ 388,211,445</u>	<u>\$ 381,938,347</u>
<b>DISPOSITION OF AUTHORIZATIONS</b>		
Gross expenditures and operating transfers out	\$ 353,827,271	\$ 347,462,495
Less: Intrafund expenditure reimbursements	<u>(6,559,935)</u>	<u>(6,610,783)</u>
Net expenditures and operating transfers out	<u>\$ 347,267,336</u>	<u>\$ 340,851,712</u>
Balances carried forward:		
Multi-year projects	\$ 11,675,837	\$ 11,547,515
Encumbrances	3,535,985	7,225,866
Restricted revenue - authorized	486,130	2,781
Restricted revenue - not authorized (Note 2d)	<u>23,242,553</u>	<u>21,586,578</u>
Total balances carried forward	<u>\$ 38,940,505</u>	<u>\$ 40,362,740</u>
Balances lapsed	<u>\$ 2,003,604</u>	<u>\$ 723,895</u>
Total	<u>\$ 388,211,445</u>	<u>\$ 381,938,347</u>

The accompanying notes are in integral part of the financial schedules.

## Notes to the Financial Schedules

### Note 1 Significant Accounting Policies

#### a. Reporting Entity

The accompanying financial schedules report the results of the financial transactions of the Michigan Department of State Police (MSP) for the fiscal years ended September 30, 1999 and September 30, 1998. The financial transactions of MSP are accounted for principally in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

The notes accompanying these financial schedules relate directly to MSP. The *SOMCAFR* provides more extensive general disclosures regarding the State's Summary of Significant Accounting Policies, Budgeting and Budgetary Control, Pension Benefits and Other Postemployment Benefits, Compensated Absences, and Contingencies and Commitments.

#### b. Basis of Accounting and Presentation

The financial schedules contained in this report are prepared on the modified accrual basis of accounting, as provided by generally accepted accounting principles for governmental funds. The modified accrual basis of accounting, which emphasizes the measurement of current financial resource flows, is explained in more detail in the *SOMCAFR*.

The accompanying financial schedules include only the revenue and operating transfers and the sources and disposition of authorizations for MSP's General Fund accounts. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of either MSP or the State's General Fund in accordance with generally accepted accounting principles.

Note 2 Schedule of Sources and Disposition of General Fund Authorizations

The various elements of the schedule of sources and disposition of General Fund authorizations are defined as follows:

- a. General purpose appropriations: Original appropriation and any supplemental appropriations that are financed by General Fund/general purpose revenue.
- b. Balances carried forward: Authorizations for multi-year projects, encumbrances, restricted revenue - authorized, and restricted revenue - not authorized that were not spent as of the end of the prior fiscal year. These authorizations are available for expenditure in the current fiscal year for the purpose of the carry-forward without additional legislative authorization, except for the restricted revenue - not authorized.
- c. Restricted financing sources: Collections of restricted revenue, restricted operating transfers, and restricted intrafund expenditure reimbursements to finance department programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Depending upon program statute, any amounts received in excess of the appropriation are, at year-end, either converted to general purpose financing sources and made available for general appropriation in the next fiscal year or carried forward to the next fiscal year as either restricted revenue - authorized or restricted revenue - not authorized.
- d. Restricted revenue - not authorized: Revenue that, by statute, is restricted for use to a particular department program or activity. However, the expenditure of the restricted revenue is subject to annual legislative appropriation. Examples of significant carry-forwards of this type are Michigan justice training funds, automobile theft prevention fees, truck driver safety funds, and highway safety funds.

# SUPPLEMENTAL FINANCIAL SCHEDULES



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**MICHIGAN DEPARTMENT OF STATE POLICE**  
**Schedule of Certain General Fund Assets and Liabilities**  
**As of September 30**

	<u>1999</u>	<u>1998</u>
<b>ASSETS</b>		
Amounts due from federal agencies	\$ 9,748,242	\$ 14,841,399
Amounts due from local units	\$ 710,969	\$ 739,508
Inventory	\$ 2,927,660	\$ 2,069,927
Other current assets	\$ 3,041,504	\$ 3,088,916
<b>LIABILITIES</b>		
Accounts payable	\$ 5,607,309	\$ 2,692,947
Deferred revenue	\$ 1,398,763	\$ 1,758,827
Amounts due to component units	\$ 209,815	\$ 209,815

This schedule of certain General Fund assets and liabilities is not representative of a balance sheet and is not intended to report financial condition. This schedule presents certain General Fund assets and liabilities that result directly from the operations of, and are the responsibility of, the Michigan Department of State Police. This schedule excludes certain other assets and liabilities, such as equity in Common Cash, cash in transit, and warrants outstanding, which are accounted for centrally by the State.

**MICHIGAN DEPARTMENT OF STATE POLICE**  
Schedule of Disposition of General Fund Authorizations by Appropriation Unit  
Fiscal Years Ended September 30

	1999							
	Total	Gross Expenditures and Operating	Intrafund Expenditure	Multi-Year		Restricted Revenue -	Restricted Revenue - Not	Balances
	Authorizations	Transfers Out	Reimbursements	Projects	Encumbrances	Authorized	Authorized	Lapsed
Executive Direction	\$ 16,890,262	\$ 9,560,906	\$	\$	\$ 990	\$	\$ 7,308,815	\$ 19,551
Departmentwide Appropriations	22,187,386	22,134,181	(580,679)		159,762		445,499	28,622
Support Services	7,926,415	10,004,576	(2,230,878)		61,024		81,774	9,920
Highway Safety Planning	21,809,936	18,559,767		550,000		486,130	2,203,154	10,884
Emergency Services	33,691,624	23,728,221	(399,623)	9,672,017	10,347		30,419	650,242
Central Records	5,070,697	4,637,513			26,101		394,415	12,668
Criminal Justice Data Center	16,021,216	14,391,266	(445,341)	300,000	1,137,451			637,840
Forensic Sciences	18,669,410	17,308,494		100,000	84,063		958,440	218,414
Law Enforcement Officers								
Training Council	17,746,926	8,800,266	(278,212)		27,309		9,197,509	54
Fire Marshal	4,824,203	4,560,735		239,713	21,639			2,115
Uniform Services	148,489,737	147,338,449	(833,893)	175,067	225,384		1,198,593	386,136
Criminal Investigation	41,028,446	41,388,821	(1,723,053)		490,862		865,702	6,114
Special Operations	19,424,333	17,034,020	(68,256)	639,039	1,240,253		558,232	21,045
Motor Carrier Enforcement	13,468,798	13,417,998			50,800			
Other	962,057	962,057						
Total	\$388,211,445	\$353,827,271	\$ (6,559,935)	\$11,675,837	\$ 3,535,985	\$ 486,130	\$ 23,242,553	\$ 2,003,604

1998							
<u>Total</u>	<u>Gross</u>	<u>Intrafund</u>	<u>Multi-Year</u>	<u>Encumbrances</u>	<u>Restrictd</u>	<u>Restrictd</u>	<u>Balances</u>
<u>Authorizations</u>	<u>Expenditures</u>	<u>Expenditure</u>	<u>Projects</u>		<u>Revenue -</u>	<u>Revenue - Not</u>	<u>Lapsed</u>
	<u>and Operating</u>	<u>Reimbursements</u>			<u>Authorized</u>	<u>Authorized</u>	
	<u>Transfers Out</u>						
\$ 16,026,278	\$ 9,175,653	\$	\$	\$ 40,023	\$	\$ 6,809,086	\$ 1,516
20,351,881	19,758,669	(759,197)		53,975		921,320	377,115
7,579,365	9,497,853	(2,244,417)		36,577		230,819	58,535
18,008,181	15,423,802			6,096		2,574,756	3,526
56,182,371	45,394,108	(541,110)	9,999,107	1,295,764		32,683	1,818
5,715,847	5,149,331			157,606		373,714	35,197
15,066,527	11,746,985	(486,084)	1,548,408	2,213,311	2,781	2,100	39,025
16,138,312	14,780,676			429,033		915,665	12,938
17,477,483	9,061,878	(246,032)		14,310		8,601,850	45,477
4,568,815	4,483,281	32,811		21,271			31,452
139,626,901	138,636,043	(1,069,856)		1,315,742		658,547	86,424
34,832,848	35,252,886	(1,239,531)		799,910		1,830	17,753
16,761,003	15,586,102	(57,367)		754,941		464,208	13,118
11,778,801	11,691,493			87,307			
<u>1,823,736</u>	<u>1,823,736</u>						
<u>\$ 381,938,347</u>	<u>\$ 347,462,495</u>	<u>\$ (6,610,783)</u>	<u>\$ 11,547,515</u>	<u>\$ 7,225,866</u>	<u>\$ 2,781</u>	<u>\$ 21,586,578</u>	<u>\$ 723,895</u>

MICHIGAN DEPARTMENT OF STATE POLICE  
Schedule of Expenditures of Federal Awards (1)  
For the Period October 1, 1997 through September 30, 1999

For the Fiscal Year Ended September 30, 1998					
Federal Agency/Program	CFDA (2) Number	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
<b><u>U.S. Department of Defense</u></b>					
Direct Program					
Research and Development Grant					
Basic and Applied Scientific Research	12.300		\$ 19,852	\$	\$ 19,852
<b>Total U.S. Department of Defense</b>			<b>\$ 19,852</b>	<b>\$ 0</b>	<b>\$ 19,852</b>
<b><u>U.S. Department of Justice</u></b>					
Direct Programs					
National Institute for Juvenile Justice and Delinquency Prevention	16.542		\$	\$	\$ 0
State Justice Statistics Program for Statistical Analysis Centers	16.550				0
National Criminal History Improvement Program (NCHIP)	16.554		89,939	269,457	359,396
Corrections and Law Enforcement Family Support	16.563				0
National Institute of Justice Forensic DNA Laboratory Improvement Program	16.564		186,265		186,265
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		33,586		33,586
State Identification Systems Grant Program	16.598		62,589		62,589
Public Safety Partnership and Community Policing Grants	16.710		198,290		198,290
Enforcing Underage Drinking Laws Program	16.727			11,961	11,961
Equitable Sharing of Federally Forfeited Property	16 (3)		861,800		861,800
National First Responder Training Program	16.98-LF-CX-0001 (3)		135,876		135,876
Violent Crimes Task Force	16 (3)		25,939		25,939
COMET DEA Task Force	16.GL-MIE-183 (3)				0
CHIEF Task Force	16.GL-MIE-183 (3)		15,420		15,420
Alliance Fugitive Task Force	16 (3)		10,753		10,753
METRO OCDETF Task Force	16 (3)				0
HEMP	16.97-55,98-55 (3)		181,382		181,382
National Drug Pointer Index (NDPIX)	16 (3)		9,742		9,742
High Intensity Drug Traffic Areas (HIDTA)	16 (3)		814,101	60,000	874,101
Total Direct Programs			\$ 2,625,682	\$ 341,418	\$ 2,967,100
Pass-Through Programs					
Byrne Formula Grant Program					
Alpena County	16.579	70163-8K97	\$ 98,052	\$	\$ 98,052
City of Grand Rapids	16.579	70444-6K97	194,290		194,290
City of Holland	16.579	70145-8K97	45,314		45,314
City of Lansing	16.579	70272-7K97	133,481		133,481
City of Ypsilanti	16.579	70038-9K97	80,056		80,056
Department of Attorney General	16.579	70683-2K97	43,693		43,693
Department of Community Health	16.579	(4)	1,901,463	1,554,463	3,455,926
Emmet County	16.579	70064-8K97	110,623		110,623
Ionia County	16.579				0
Lapeer County	16.579	70220-7K97	30,226		30,226
Macomb County	16.579	70640-4K97	33,334		33,334
Missaukee County	16.579	70044-9K97	45,216		45,216
Newaygo County	16.579	70238-7K97	37,984		37,984
Oceana County	16.579	70052-8K97	90,908		90,908
Ogemaw County	16.579	70077-8K97	138,503		138,503

*This schedule continued on next page.*

For the Fiscal Year Ended September 30, 1999				Total Expended and Distributed for the Two-Year Period
Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	Total Expended and Distributed	
	\$ 6,840	\$	\$ 6,840	\$ 26,692
	<u>\$ 6,840</u>	<u>\$ 0</u>	<u>\$ 6,840</u>	<u>\$ 26,692</u>
	\$	\$ 111,393	\$ 111,393	\$ 111,393
	191,438		191,438	191,438
	250,883	15	250,898	610,294
	16,626		16,626	16,626
	376,318		376,318	562,583
			0	33,586
	320,214		320,214	382,803
	323,414		323,414	521,704
		148,991	148,991	160,952
	245,046		245,046	1,106,846
	114,124		114,124	250,000
	25,884		25,884	51,823
	5,240		5,240	5,240
			0	15,420
	20,155		20,155	30,908
	19,176		19,176	19,176
	159,981		159,981	341,363
			0	9,742
	<u>1,802,642</u>	<u>213,944</u>	<u>2,016,586</u>	<u>2,890,687</u>
	<u>\$ 3,871,141</u>	<u>\$ 474,343</u>	<u>\$ 4,345,484</u>	<u>\$ 7,312,584</u>
70163-9K98	\$ 99,135	\$	\$ 99,135	\$ 197,187
70444-7K98	210,172		210,172	404,462
70145-9K98	42,493		42,493	87,807
70272-8K98	86,265		86,265	219,746
			0	80,056
70683-3K98	45,295		45,295	88,988
(4)	1,691,318	1,161,813	2,853,131	6,306,222
70064-9K98	111,317		111,317	221,940
70238-8K98	41,630		41,630	41,630
70220-8K98	38,082		38,082	68,308
70648-5K98	27,868		27,868	61,202
70772-1K98	54,646		54,646	99,862
			0	37,984
70052-9K98	94,704	117,485	212,189	303,097
70077-9K98	155,541		155,541	294,044

MICHIGAN DEPARTMENT OF STATE POLICE  
Schedule of Expenditures of Federal Awards (1)  
For the Period October 1, 1997 through September 30, 1999  
Continued

Federal Agency/Program	CFDA (?) Number	For the Fiscal Year Ended September 30, 1998			
		Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
Family Independence Agency Violence Against Women Formula Grants	16.588	96-WS-NX-0026	\$ 246,031	\$	\$ 246,031
Department of Community Health Local Law Enforcement Block Grants Program	16.592	8022-1L96	124,202		124,202
Total Pass-Through Programs			\$ 3,353,376	\$ 1,554,463	\$ 4,907,839
<b>Total U.S. Department of Justice</b>			<b>\$ 5,979,058</b>	<b>\$ 1,895,881</b>	<b>\$ 7,874,939</b>
<b><u>U.S. Department of Labor</u></b>					
Pass-Through Program Michigan Jobs Commission Job Training Partnership Act	17.250		\$	\$	\$ 0
<b>Total U.S. Department of Labor</b>			<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b><u>U.S. Department of Transportation</u></b>					
Direct Programs Highway Safety Cluster State and Community Highway Safety	20.600		\$ 1,775,993	\$ 2,785,357	\$ 4,561,350
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		332,406	1,306,316	1,638,722
Total Highway Safety Cluster			\$ 2,108,399	\$ 4,091,673	\$ 6,200,072
National Motor Carrier Safety	20.218		\$ 1,908,464	\$ 143,395	\$ 2,051,859
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		127,584	41,492	169,076
Total Direct Programs			\$ 2,036,048	\$ 184,887	\$ 2,220,935
<b>Total U.S. Department of Transportation</b>			<b>\$ 4,144,447</b>	<b>\$ 4,276,560</b>	<b>\$ 8,421,007</b>
<b><u>Federal Emergency Management Agency</u></b>					
Direct Programs National Fire Academy Training Assistance	83.009		\$ 47,040	\$	\$ 47,040
Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986	83.011		182,173		182,173
Community Assistance Program - State Support Services Element (CAP-SSSE)	83.105			164,021	164,021
State Disaster Preparedness Grants	83.505		48,182		48,182
Emergency Management - State and Local Assistance	83.534		1,646,345	1,615,822	3,262,167
Mitigation Assistance	83.535		87,298		87,298
Flood Mitigation Assistance	83.536		25,644		25,644
Fire Suppression Assistance	83.542				0
Public Assistance Grants	83.544		14,104,690	15,095,876	29,200,566
National Arson Prevention Initiative	83.546		12,000		12,000
First Responder Counter-Terrorism Training Assistance	83.547		50,000		50,000
Hazard Mitigation Grant	83.548		23,723	858,534	882,257
Project Impact-Building Disaster Resistant Communities	83.551				

This schedule continued on next page.

For the Fiscal Year Ended September 30, 1999				Total Expended and Distributed for the Two-Year Period
Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	Total Expended and Distributed	
97-WF-NX-0026	\$ 271,343	\$	\$ 271,343	\$ 517,374
			0	124,202
	<u>\$ 2,969,809</u>	<u>\$ 1,279,298</u>	<u>\$ 4,249,107</u>	<u>\$ 9,154,111</u>
	<u>\$ 6,840,950</u>	<u>\$ 1,753,641</u>	<u>\$ 8,594,591</u>	<u>\$ 16,466,695</u>
A-7369-9-00-87-50	<u>\$ 49,062</u>	<u>\$</u>	<u>\$ 49,062</u>	<u>\$ 49,062</u>
	<u>\$ 49,062</u>	<u>\$ 0</u>	<u>\$ 49,062</u>	<u>\$ 49,062</u>
	\$ 1,936,168	\$ 3,270,289	\$ 5,206,457	\$ 9,767,807
	<u>258,474</u>	<u>1,299,733</u>	<u>1,558,207</u>	<u>3,196,929</u>
	<u>\$ 2,194,642</u>	<u>\$ 4,570,022</u>	<u>\$ 6,764,664</u>	<u>\$ 12,964,736</u>
	\$ 3,015,702	\$ 388,439	\$ 3,404,141	\$ 5,456,000
	<u>128,254</u>	<u>40,882</u>	<u>169,136</u>	<u>338,212</u>
	<u>\$ 3,143,956</u>	<u>\$ 429,321</u>	<u>\$ 3,573,277</u>	<u>\$ 5,794,212</u>
	<u>\$ 5,338,598</u>	<u>\$ 4,999,343</u>	<u>\$ 10,337,941</u>	<u>\$ 18,758,948</u>
	\$	\$	\$ 0	\$ 47,040
	167,969		167,969	350,142
		170,817	170,817	334,838
	45,207		45,207	93,389
	1,680,802	1,579,219	3,260,021	6,522,188
	45,981		45,981	133,279
		19,873	19,873	45,517
		382,906	382,906	382,906
	783,627	11,973,599	12,757,226	41,957,792
			0	12,000
	10,229		10,229	60,229
	89,274	971,170	1,060,444	1,942,701
	28,731		28,731	28,731



MICHIGAN DEPARTMENT OF STATE POLICE  
Schedule of Expenditures of Federal Awards (1)  
For the Period October 1, 1997 through September 30, 1999  
*Continued*

<u>Federal Agency/Program</u>	<u>CFDA (2)</u> <u>Number</u>	<u>Pass-Through</u> <u>Identification</u> <u>Number</u>	<u>For the Fiscal Year Ended September 30, 1998</u>		
			<u>Directly</u> <u>Expended</u>	<u>Distributed to</u> <u>Subrecipients</u>	<u>Total Expended</u> <u>and Distributed</u>
Anti Terrorism Training	83 FMC-97-PA1331(3)		\$ 19,736	\$	\$ 19,736
Comprehensive Environmental Response, Compensation, and Liability Act	83 (3)		14,424		14,424
<b>Total Federal Emergency Management Agency</b>			<b><u>\$16,261,255</u></b>	<b><u>\$ 17,734,253</u></b>	<b><u>\$ 33,995,508</u></b>
Total Expenditures of Federal Awards			<u>\$26,404,612</u>	<u>\$ 23,906,694</u>	<u>\$ 50,311,306</u>

(1) Basis of Presentation: This schedule includes the federal grant activity of the Michigan Department of State Police and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial schedules.

(2) CFDA is defined as *Catalog of Federal Domestic Assistance*.

(3) CFDA number not available. Number derived from federal agency number and grant or contract number, if available.

(4) Pass-through identification numbers for the Department of Community Health CFDA number 16.579

Fiscal Year 1997-1998:

70103-8K97, 70115-8K97, 70127-8K97, 70185-8K96, 70185-9K97, 70287-7K97  
70358-7K97, 70439-6K97, 70678-3K97, 70768-1K97, 71138-1K95, 71168-1K97.

Fiscal Year 1998-1999:

70103-9K98, 70115-9K98, 70127-9K98, 70185-9K97, 70358-8K98, 70439-7K98  
70678-4K98, 70768-2K98, 70771-1K98, 70773-1K98, 71168-2K97, 82001-1T98.

<u>For the Fiscal Year Ended September 30, 1999</u>				Total Expended and Distributed for the Two-Year Period
<u>Pass-Through Identification Number</u>	<u>Directly Expended</u>	<u>Distributed to Subrecipients</u>	<u>Total Expended and Distributed</u>	
	\$	\$	\$ 0	19,736
	5,367		5,367	19,791
	<u><b>\$ 2,857,187</b></u>	<u><b>\$ 15,097,584</b></u>	<u><b>\$ 17,954,771</b></u>	<u><b>\$ 51,950,279</b></u>
	<u><b>\$ 15,092,637</b></u>	<u><b>\$ 21,850,568</b></u>	<u><b>\$ 36,943,205</b></u>	<u><b>\$ 87,251,676</b></u>

## OTHER REQUIRED SCHEDULES

MICHIGAN DEPARTMENT OF STATE POLICE  
Summary Schedule of Prior Audit Findings  
As of June 9, 2000

**PRIOR AUDIT FINDINGS RELATED TO THE FINANCIAL SCHEDULES**

Audit Findings That Have Been Fully Corrected:

**Audit Period:** October 1, 1995 through September 30, 1997  
**Finding Number:** 2  
**Finding:** The Michigan Department of State Police (MSP) did not sufficiently control the assignment of user capabilities within the Advanced Purchasing and Inventory Control System (ADPICS), the Statewide purchasing system within the Michigan Administrative Information Network (MAIN).  
**Comments:** User class 17 was eliminated from all MSP users and was replaced with the appropriate user class (i.e., user class 13).

Audit Findings That Have Been Partially Corrected:

**Audit Period:** October 1, 1995 through September 30, 1997  
**Finding Number:** 1  
**Finding:** MSP did not have sufficient control procedures over access to MAIN to ensure that all employees were assigned user classes that were compatible with assigned job responsibilities.  
**Comments:** MSP modified its process to ensure review of incompatible user class combinations. By using the MAIN Management Information Data Base (MIDB), a report is generated of all MAIN users and the incompatible user class combinations. MSP reviewed the assigned security classes and the common user job functions. Updates were made to achieve this objective by deleting user classes 4, 17, 41, 20, and 78 from the appropriate users.

**Audit Period:** October 1, 1995 through September 30, 1997

**Finding Number:** 3

**Finding:** MSP's internal controls at 2 of its 7 primary cashiering locations did not ensure that all cash receipts (currency, checks, and warrants) were accurately recorded and deposited on a timely basis.

**Comments:** MSP has purchased and implemented an accounts receivable system (ARS). Two of MSP's cashiering locations involved in the audit finding have implemented the following guidelines:

- a. Two mail openers handle all payments/money received. The mail openers tally all the payments/money received and record the amount received on a log. The log and payments/money are forwarded to the cashier's office, where the amount is verified and checks are validated.
- b. MSP's second cashiering location no longer handles payments/money. MSP uses ARS, which generates invoices to the various vendors, and the payments are received and recorded at the central cashiering location at headquarters.
- c. MSP has begun compilation of an ARS procedure manual.

#### **PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS**

##### Audit Findings That Have Been Partially Corrected:

**Audit Period:** October 1, 1995 through September 30, 1997

**Finding Number:** 4

**Finding:** MSP's internal control structure did not ensure that federal grant program subrecipients were monitored in accordance with federal requirements.

**Comments:** MSP has a procedure in place:

- a. The Single Audit reports are date-stamped as they are received.
- b. This information is recorded and the review time is within the six-month period. This is accomplished through the use of a spreadsheet that calculates the six-month period.
- c. The review and its findings are documented.

- d. Payments are recorded to municipalities to determine if a Single Audit report is required. If reports are required and not received, the recipients are contacted for compliance.

MICHIGAN DEPARTMENT OF STATE POLICE

Corrective Action Plan

As of October 4, 2000

**FINDINGS RELATED TO THE FINANCIAL SCHEDULES**

**Finding Number:** 550001

**Finding Title:** Internal Control Over Accounting Functions

**Management Views:** The Michigan Department of State Police (MSP) agrees with this finding and will resolve the issues.

**Corrective Action:** Finding 1.a.  
MSP has, in conjunction with the Office of Financial Management (OFM), Department of Management and Budget (DMB) attempted to determine an appropriate resolution for this issue. We will continue to work with OFM and expect to resolve this issue in fiscal year 2000-01.

Finding 1.b.  
MSP has developed a centralized cashiering and billing system and has been implementing it throughout MSP. MSP will eventually resolve the issue of improper cash receipts processing through the use of this system and centralization of this activity within our Financial Services Section, where it will receive the appropriate level of attention to detail. In the meantime, MSP will conduct a training session for all cash receipting locations, focusing on the importance of this function and the need for adequate staffing to ensure internal control. We will also conduct annual reviews of the cash receipting process at each location.

Finding 1.c.  
MSP has implemented an automated warehouse distribution system, which will maintain electronic copies of all physical count information.

Additionally, written procedures will be developed for the physical count process detailing where hard copy reports are to be maintained.

Finding 1.d.

This was an implementation issue related to the first year of operation of the ARS system. The year in question has since been reconciled, as will all subsequent years.

Finding 1.e.

In consultation with Office of the Auditor General staff, MSP has determined to estimate accounts payable through a new methodology. We will seek OFM's approval of this process and implement it during year-end for fiscal year 1999-2000.

Finding 1.f.

This issue has been resolved. MSP will code these funds correctly in the future.

**Anticipated Completion Date:** Finding 1.a.

Fiscal year 2000-01

Finding 1.b.

Interim solution: Fiscal year 2000-01

Final solution: Fiscal year 2001-02

Finding 1.c.

December 31, 2000

Finding 1.d.

Resolved

Finding 1.e.

November 17, 2000

Finding 1.f.

Resolved

**Responsible Individual:** Shawn W. Sible, Chief, Financial Services Section

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**Finding Number:** 550002

**Finding Title:** Operating Transfers



**Management Views:** As a result of the finding, MSP has formally asked OFM to review these transactions and provide clarification on the appropriate method of processing.

**Corrective Action:** MSP will continue to work with OFM on this issue.

**Anticipated Completion Date:** Fiscal year 2000-01

**Responsible Individual:** Shawn W. Sible, Chief, Financial Services Section

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**Finding Number:** 550003

**Finding Title:** Controls Over MAIN User Access

**Management Views:** MSP agrees with finding and will strengthen controls over MAIN user access by documenting compensating controls for incompatible user class combinations and by revoking MAIN access for departed employees.

**Corrective Action:** The users with incompatible user class combinations have been documented and are on file with the agency security administrator. No other incompatible user classes exist, other than in the Financial Services Section. Documentation of our compensating controls will be provided to OFM. Any further requests for user classes that conflict with what the user currently has will not be approved without documentation, including an explanation of why it is needed and the compensating controls. A departure report is now run monthly to update and/or delete users who have departed.

**Anticipated Completion Date:** Ongoing

**Responsible Individual:** Marcia Wilcox, Departmental Services Section

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**Finding Number:** 550004

**Finding Title:** Controls Over Procurement Cards

**Management Views:** MSP agrees with the finding and will strengthen controls to ensure that procurement card users comply with MSP and DMB policies and procedures and that unissued cards are adequately safeguarded.

**Corrective Action:** The MSP procurement card program administrator is meeting with procurement card users in all locations and instructing them to comply with MSP and DMB guidelines. Unissued cards are securely stored in a safe location.

**Anticipated Completion Date:** Ongoing

**Responsible Individual:** Marcia Wilcox, Departmental Services Section

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**Finding Number:** 550005

**Finding Title:** Cash Management

**Management Views:** MSP agrees with the finding and will strengthen its controls to provide for compliance with federal and State cash management standards.

**Corrective Action:** Finding 5.a.  
The Emergency Management Division agrees that drawdowns of federal funds should be timely. However, in atypical situations involving disasters, payment processing to ensure disaster recovery will be our top priority, regardless of the time line and procedural requirements necessary to receive federal reimbursement. The Emergency Management Division will develop a written procedure covering compliance with federal and State cash management standards.

Finding 5.b.  
MSP has recently received approval from the Federal Motor Carrier Safety Administration, U.S. Department of Transportation, to implement an electronic reimbursement system. Once electronic reimbursement is in place, MSP intends to seek reimbursement of program costs within 10 business days after the close of each month.

**Anticipated Completion Date:** Finding 5.a.  
December 31, 2000

**Responsible Individual:** Finding 5.b.  
March 31, 2001  
Finding 5.a.  
Beth Hall, Emergency Management Division  
Finding 5.b.  
Cheryl Llano, Motor Carrier Division

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#### FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

**Finding Number:** 550006  
**Finding Title:** Motor Carrier Safety Assistance Program  
**Management Views:** MSP agrees with the finding and will strengthen its controls over the RMS system used to allocate Motor Carrier Safety Assistance Program expenditures.  
**Corrective Action:** Immediately after experiencing the one-time instance of inadvertently overwriting the RMS time study information, MSP implemented a backup procedure. MSP will continue to back up the information and will also ensure that it is securely housed.  
  
Effective with the first quarter of fiscal year 2000-01, MSP will apply RMS percentages only to the periods to which the percentages are related.  
**Anticipated Completion Date:** October 1, 2000  
**Responsible Individual:** Cheryl Llano, Motor Carrier Division

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**Finding Number:** 550007  
**Finding Title:** Schedule of Expenditures of Federal Awards (SEFAs)  
**Management Views:** MSP agrees with the finding and will strengthen its controls to provide more accuracy in the SEFA process.

**Corrective Action:** MSP will add an additional level of review of its SEFA before submission.  
**Anticipated Completion Date:** January 2001  
**Responsible Individual:** Shawn W. Sible, Chief, Financial Services Section

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**Finding Number:** 550008  
**Finding Title:** Monitoring of Subrecipients  
**Management Views:** MSP has steadily worked to increase its controls over subrecipient grant monitoring. We agree with the finding and will continue to improve our controls in this area.  
**Corrective Action:** MSP will include a review of the status of subrecipient audit reports as part of its quarterly closeout procedures. This will allow for early identification of audit reports that are nearing the six-month deadline for issuance of a management decision.  
**Anticipated Completion Date:** January 2001  
**Responsible Individual:** Shawn W. Sible, Chief, Financial Services Section

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**Finding Number:** 550009  
**Finding Title:** Internal Control Over Accounting Functions

See Finding 550001 with the findings related to the financial schedules.

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**Finding Number:** 550010  
**Finding Title:** Controls Over MAIN User Access

See Finding 550003 with the findings related to the financial schedules.

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**Finding Number:** 550011  
**Finding Title:** Controls Over Procurement Cards

See Finding 550004 with the findings related to the financial schedules.

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## Glossary of Acronyms and Terms

ARS	accounts receivable system.
CFDA	<i>Catalog of Federal Domestic Assistance.</i>
DMB	Department of Management and Budget.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules of an audited entity are fairly presented in conformity with generally accepted accounting principles.
internal control	A process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.
low-risk auditee	As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual Single Audit and it meets other criteria related to prior audit results. In accordance with State statute, this Single Audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee.
material weakness	A condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that either misstatements in amounts that would be material in relation to the financial schedules being audited or noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur

and not be detected within a timely period by employees in the normal course of performing their assigned functions.

MDOT	Michigan Department of Transportation.
Michigan Administrative Information Network (MAIN)	A fully integrated automated financial management system for the State of Michigan.
mission	The agency's main purpose or the reason the agency was established.
Motor Carrier Safety Assistance Program	The commonly used name for the National Motor Carrier Safety Program ( <i>CFDA</i> Number 20.218).
MSP	Michigan Department of State Police.
OFM	Office of Financial Management.
OMB	U.S. Office of Management and Budget.
procurement card	A credit card issued to State employees for purchasing commodities and services in accordance with the State purchasing policy. At the time of our audit, this was a MasterCard Purchasing Card product.
questioned costs	Costs tentatively identified as unallowable, undocumented, unapproved, or unreasonable. These costs are subject to disallowance by the federal government.
reportable condition	A matter coming to the auditor's attention relating to a significant deficiency in the design or operation of internal control that, in the auditor's judgment, could adversely affect

MSP's ability to (1) record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules or (2) administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.

RMS random moment sampling.

SEFA schedule of expenditures of federal awards.

Single Audit A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, a Single Audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.

SOMCAFR *State of Michigan Comprehensive Annual Financial Report.*